

California Department of Education

**Report to the Governor and the Legislature:
Administrative Errors in Alternative Payment, CalWORKs, and General Child Care
Programs for Fiscal Year 2014–15**



Prepared By:

**California Department of Education
Early Education and Support Division
Instruction and Learning Support Branch**

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Description: Administrative Errors in Alternative Payment, CalWORKs, and General Child Care Programs for Fiscal Year 2014–15

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Recipient(s): The Governor and the Legislature

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Executive Summary

This report is submitted in compliance with Provision 5(b) of Item 6110-001-0890 of the Budget Act of 2014. Provision 5(b) requires the California Department of Education (CDE) to select a statistically valid sample of family data files from contractors offering full-day child care and development programs and analyze these sample files to estimate rates of administrative errors in four different categories: (1) eligibility, (2) need, (3) family fee, and (4) provider reimbursement. Provision 5(b) requires the CDE to report estimated error rates annually to the Governor and the Legislature. In implementing Provision 5(b), the CDE also used federal regulations implementing the Improper Payments Information Act as guidance.

The CDE created the Alternative Payment Monitoring Unit (APMU) in 2006 as required by Provision 5(b). The Center-Based Monitoring Unit (CMU) was created in 2009 in response to federal regulations extending error rate requirements to full-day centers. The APMU has previously reviewed each of California's Alternative Payment contractors at least once. For Fiscal Year (FY) 2014–15, contractors were selected for APMU reviews based on their prior error rate and the time elapsed since the last review. In FY 2014–15, the CMU conducted baseline reviews of center-based contractors. Contractors were selected for initial reviews based on their size and compliance history.

The contractors reviewed by the APMU during FY 2014–15 had an average estimated error rate of 6.71 percent compared to the average error rate previously estimated for these same contractors of 13.71 percent. This decrease is consistent with the reduction in the statewide error rate estimated during the federally required review in 2013.

The contractors receiving baseline reviews by the CMU had an estimated error rate of 36.5 percent. The CDE predicts that over time, the CMU reviews will yield a reduction in center-based error rates similar to the reduction in Alternative Payment error rates. We anticipate substantial reductions in error rates when these same contractors receive technical assistance and follow-up reviews.

In conducting both state and federal reviews, the CDE notes the finding of an administrative error does not indicate a family was factually ineligible or received services for which they were not entitled. Frequently, errors indicate insufficient evidence was present in the file to support the decisions made by the contractor.

You can find this report on the CDE State Administrative Errors 2014 Web page at <http://www.cde.ca.gov/sp/cd/re/lrleg rptadminerrors1415.asp>. If you have questions regarding this report or need a copy, please contact Guadalupe Romo-Zendejas, Administrator, Field Services Office, by phone at 916-324-6164 or by e-mail at GRomozen@cde.ca.gov.

Introduction

This report is submitted in compliance with Provision 5(b) of Item 6110-001-0890 of the Budget Act of 2014. Provision 5(b) requires the California Department of Education (CDE) to select a statistically valid sample of family data files from contractors offering full-day child care and development programs and analyze these sample files to estimate administrative errors in four different categories: (1) eligibility, (2) need, (3) family fee, and (4) provider reimbursement. Provision 5(b) also requires the CDE report estimated error rates annually to the Governor and the Legislature.

Provision 5(b) was added to Item 6110-161-0890 in response to Legislative hearings and budget change proposals submitted by the CDE. Provision 5(b) includes an appropriation, as well as position authority and directive language. Pursuant to this language, the CDE operates the Alternative Payment Monitoring Unit (APMU) since 2006 and the Center-Based Monitoring Unit (CMU) since 2009.

In implementing the Budget Act language, the CDE has also designed the review process to conform to federal requirements contained in regulations implementing the Improper Payments Elimination and Recovery Act (IPERA).¹ The federal regulations require the CDE to report to the Department of Health and Human Services every three years based on a statewide sample.

The requirements of both state and federal reviews are designed to identify administrative errors. An administrative error does not indicate a family was factually ineligible or received services for which they were not entitled. Errors often indicate that insufficient evidence was present in the file to support the decisions made by the contractor or the contractor misinterpreted program rules.

Background for the 2014–15 Reviews

During FY 2014–15, the APMU conducted reviews of 17 contractors, and based on prior reviews provided training and technical assistance to 9 contractors. The CMU conducted reviews of 32 contractors and provided training and technical assistance.

Consistent with the approach taken in FY 2013–14, in FY 2014–15 the APMU directed its reviews to contractors whose previous reviews indicated high error rates, to contractors whose first review occurred several years ago, and to contractors required to complete a formal Error Rate Reduction Plan (ERRP).² The APMU worked with nine (9) contractors, each of whom received technical assistance and advice in lowering their error rates from their assigned Field Services Consultant, the APMU team, or both based on their ERRP. In addition, the APMU and CMU staff provided training and technical assistance to the contractors regarding Management Bulletin (MB) 14-03a.

¹ Public Law 107-300, enacted in 2002

² Consistent with new federal rules requiring states with error rates in excess of 10 percent to implement corrective action plans, the CDE requires contractors with error rates in excess of 10 percent to implement Error Rate Reduction Plans.

The purpose of MB 14-03a was to transmit a revised family fee schedule. The APMU also provided training and technical assistance to the Alternative Payment (AP) contractors regarding MB 14-04. The purpose of MB 14-04 was to notify AP and CalWORKs programs of changes to attendance and sign-in/sign-out requirements. The MB provided information regarding the use of monthly attendance records/invoices for reimbursement to providers as well as attendance tracking policies. These MBs were created to meet the regulatory requirements of the California *Education Code (EC)*, sections 8239, 8263(a)(1), 8273, 8273.1, 8273.2, 8447(b)(1) and Assembly Bill 274 (Chapter 733, Statutes of 2013).

The creation of an ERRP involves intensive technical assistance by Early Education Support Division (EESD) staff to identify local procedures that are the source of errors. Contractors are expected to develop quality assurance systems to measure and track implementation of the ERRP. Contractors are also expected to demonstrate an improved administrative error rate in the subsequent review.

Consistent with the approach taken in FY 2013–14, in FY 2014–15 the CMU directed its reviews to large contractors for whom error rates had not been previously estimated. Each of the contractors received technical assistance throughout the review, and contractors with high estimated error rates completed a formal ERRP. In FY 2014–15, all contractors with an estimated error rate in excess of the new federal threshold of 10 percent will be required to complete an ERRP.

As in previous legislative reports, the APMU and the CMU are required by, Provision 5(b) of Item 6110-001-0890 of the Budget Act of 2014, to estimate an error rate for each contractor. To do this, an “error” is defined as a decision by a contractor’s representative that is both inconsistent with an applicable statute or regulation and that has a material impact on the program. Examples of material errors include the miscalculation of family income when the correct calculation would have led to a different (higher or lower) family fee, the lack of sufficient documentation in the file to determine eligibility, or the lack of sufficient documentation in the file to support the amount of child care being subsidized by the contractor.

Decisions that are inconsistent with law or regulations but do not have a material impact on the program are not included in the error rate estimated by the APMU and the CMU. An example of a non-material program error is the miscalculation of family income when the correct calculation would not have resulted in a change in family fee or eligibility.

Part 1: Estimated Error Rates For Alternative Payment Programs

During FY 2014–15, the APMU reviewed 17 contractors and estimated an average error rate of 6.71 percent. The same 17 contractors had an average estimated error rate of 13.71 percent in previous reviews. The FY 2014–15 reviews indicate that these contractors, subsequent to receiving technical assistance by EESD staff, reduced their previous rate of errors by an average of 49 percent. Appendix A provides the Alternative Payment Programs Tables.

This reduction in estimated error rates in FY 2014–15 is consistent with the reductions measured in previous fiscal years. The predominance of low error rates in California's Child Development programs is also reflected in the results of the statewide review conducted in FY 2013–14 which found an average error rate of approximately 5.8 percent. The results of the federally mandated triennial IPERA report was submitted to the Department of Health and Human Services at the end of June 2014.

Based on the 17 reviews in FY 2014–15, Alternative Payment and CalWORKs contractors have areas in which administrative improvements could still be effective in reducing errors. Below is a brief analysis of each area for which the EESD is required to estimate errors which includes a brief description of areas that CDE will focus on for improvement.

1. Need Errors

Need errors were estimated at 0.5 percent of all dollars expended on services and 6.6 percent of all errors.

The errors were generally caused by the contractor inaccurately certifying the hours of need based on the documentation in the file. Examples included both hours of care that were inconsistent with the supporting documentation in the file and hours of care that were not updated as the parents' need changed.

2. Provider Reimbursement Errors

Provider reimbursement errors were estimated at 3.6 percent of all dollars expended on services and 52.8 percent of all errors.

The majority of provider reimbursement errors were due to the contractor utilizing an incorrect Regional Market Rate ceiling. Also, a common error found was that the contractor did not use the appropriate adjustment factor when reimbursing for evening and weekend care. Additionally, agencies did not adhere to the requirements in Management Bulletin 14-04.

3. Eligibility Errors

Eligibility errors were estimated at 2.5 percent of all dollars expended on services in the sample cases and 35.7 percent of all errors.

The most common error was the parent(s) not providing sufficient documentation of the family's total countable income and/or the contractor not verifying the income documentation received.

4. Family Fee Errors

Family fee errors were estimated at 0.3 percent of all dollars expended on services and 4.9 percent of all errors.

These errors contributed little to the error rates measured in dollars because the average family fee is small. Most of the family fee errors were attributable to arithmetic mistakes in determining a family's average monthly income, which affected the family fee assessed. Due to MB 14-03a the family fee portion of the review was based on where each contractor was in the implementation of the revised family fee schedule.

Part 2: Estimated Error Rates For Center-Based Programs

During FY 2014–15, the CMU conducted reviews of 32 contractors. Contractors were selected for reviews based on a combination of their size and the EESDs assessment that an error rate review might lead to a measurable improvement in the contractor's administrative procedures. As with the APMU reviews, error rates for these center-based contractors were expected to be high during baseline reviews. However, it is also expected that technical assistance, along with formal ERRPs where appropriate, would lead to significant reductions in error rates in future reviews. Appendix B provides the Center-Based Programs Tables.

The average estimated error rate for these 32 contractors was 36.5 percent. Below is a brief analysis of common errors found by the CMU during FY 2014–15 which includes a brief description of areas that will be the focus for improvement

1. Eligibility Errors

Eligibility errors were estimated at 21.8 percent of all dollars expended on services and 59.78 percent of all administrative errors.

The most common error was the lack of sufficient documentation in a file to support the family's eligibility, often because verification of the information was insufficient.

2. Need Errors

Need determination errors were estimated at 12.6 percent of all dollars expended on services and 34.58 percent of all errors.

The errors were generally caused by the contractor inaccurately certifying the hours of need based on the documentation in the file. Examples included both hours of care that were inconsistent with the supporting documentation in the file and hours of care that were not updated as the parents' need changed.

3. Attendance Errors

Contractor errors were estimated at 2.1 percent of all dollars expended on services and 5.64 percent of all administrative errors.

The errors were generally caused by the daily attendance record not corresponding to the documented certified hours of care.

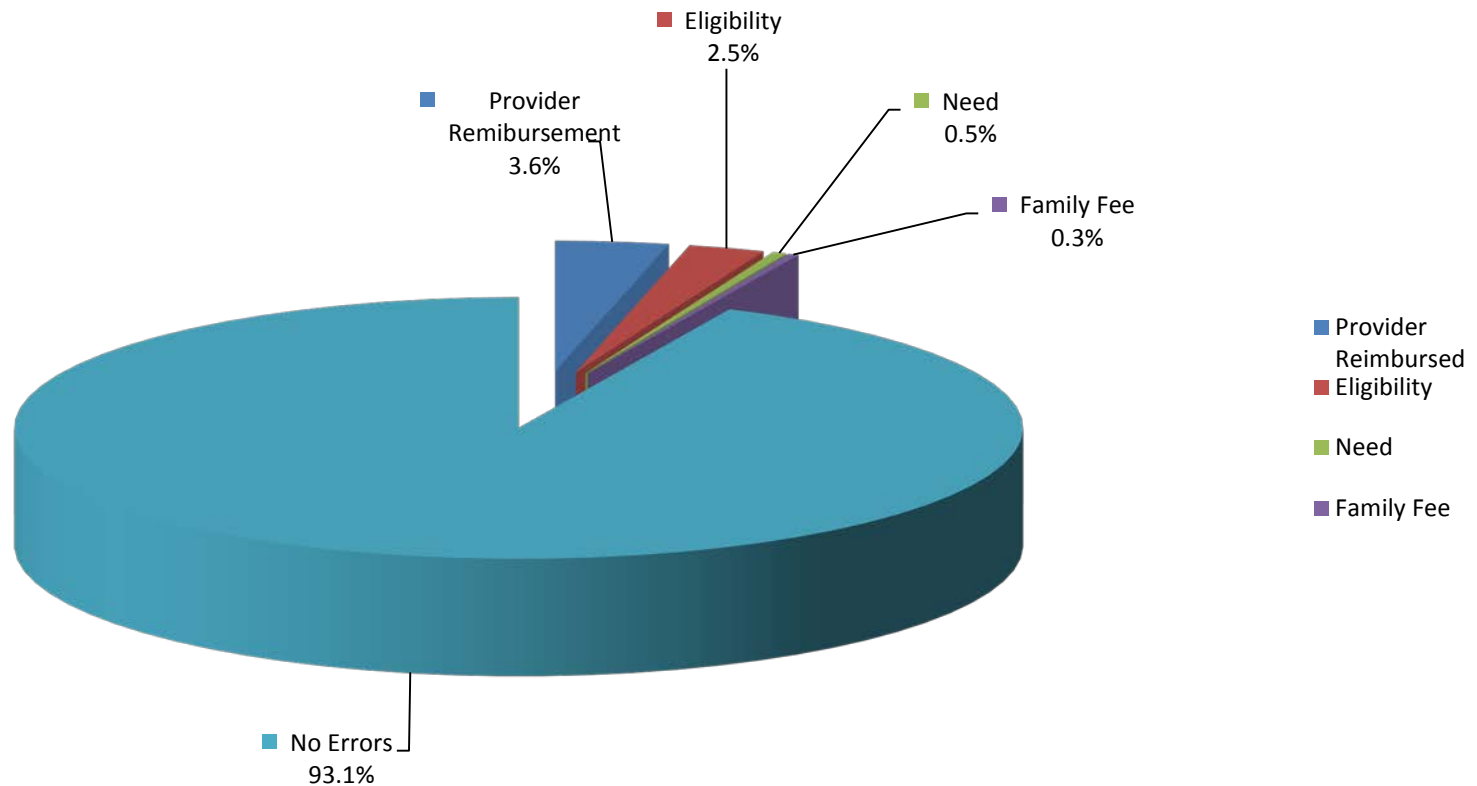
4. Family Fee Errors

Family fee errors were estimated at 0.0 percent of all dollars expended on services and 0.0 percent of all errors.

Appendix A
Error Rates for Alternative Payment Programs By Contractor (FY 2014–15)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Provider Reimbursement
Alameda	Alameda County Social Services Agency	7%	\$14,896.03	\$1,007.13	\$558.00	\$0.00	\$0.00	\$449.13
Alameda	Child Care Links	1%	\$11,391.19	\$129.13	\$0.00	\$0.00	\$0.00	\$129.13
Alameda	Community Child Care Council of Alameda	0%	\$19,243.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Colusa	Colusa County Office of Education	3%	\$10,919.48	\$324.51	\$0.00	\$0.00	\$263.00	\$61.51
Glenn	Glenn County Office of Education	19%	\$7,275.89	\$1,455.38	\$323.07	\$57.80	\$0.00	\$1,074.51
Inyo	Inyo-Mono Advocates for Comm. Action, Inc.	15%	\$11,913.40	\$1,865.19	\$1,053.88	\$0.00	\$122.00	\$689.31
Kern	Kern County Superintendent of Schools	6%	\$9,520.82	\$584.96	\$364.00	\$0.00	\$33.00	\$187.96
Lassen	Lassen County Office of Education	8%	\$8,289.65	\$690.05	\$410.31	\$0.00	\$90.00	\$189.74
Los Angeles	Children's Home Society of California	6%	\$12,026.55	\$776.24	\$0.00	\$0.00	\$0.00	\$776.24
Los Angeles	Options Child Care Council and Human Services Agency	11%	\$13,704.93	\$1,451.68	\$0.00	\$873.71	\$0.00	\$577.97
Marin	Marin Child Care Council	9%	\$38,413.91	\$3,698.67	\$2,046.44	\$0.00	\$116.00	\$1,536.23
Merced	Merced County Office of Education	2%	\$7,694.18	\$137.97	\$0.00	\$0.00	\$0.00	\$137.97
Sacramento	Child Action, Inc.	3%	\$8,554.91	\$228.41	\$0.00	\$0.00	\$76.00	\$152.41
San Joaquin	Family Resources and Referral Center	13%	\$7,048.92	\$881.88	\$304.10	\$0.00	\$0.00	\$577.78
Santa Clara	Community Child Care Council of Santa Clara	2%	\$13,502.31	\$329.12	\$0.00	\$0.00	\$0.00	\$329.12
Stanislaus	Stanislaus County Community Services Agency	9%	\$7,435.55	\$625.58	\$0.00	\$0.00	\$0.00	\$625.58
Stanislaus	Stanislaus County Office of Education	0%	\$4,560.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTALS:	Average Error Rate	6.71%	\$206,391.46	\$14,185.90	\$5,059.80	\$931.51	\$700.00	\$7,494.59
ERRORS AS % OF TOTAL PAYMENTS				6.9%	2.5%	0.5%	0.3%	3.6%
ERRORS AS % OF ALL DOLLARS PAID IN ERROR				100%	35.7%	6.6%	4.9%	52.8%

Errors by Category of Percentage of Total Payment



**Comparison of Alternative Payment Error Rates
Baseline vs Current Review FY 2014–15**

County	Agency	Baseline Error Rate	Re-Review Error Rate
Alameda	Alameda County Social Services Agency	0%	7%
Alameda	Child Care Links	4%	1%
Alameda	Community Child Care Council of Alameda	9%	0%
Colusa	Colusa County Office of Education	0%	3%
Glenn	Glenn County Office of Education	5%	19%
Inyo	Inyo-Mono Advocates for Comm. Action, Inc.	74%	15%
Kern	Kern County Superintendent of Schools	17%	6%
Lassen	Lassen County Office of Education	54%	8%
Los Angeles	Children's Home Society of California	11%	6%
Los Angeles	Options Child Care Council and Human Services Agency	4%	11%
Marin	Marin Child Care Council	11%	9%
Merced	Merced County Office of Education	15%	2%
Sacramento	Child Action, Inc.	7%	3%
San Joaquin	Family Resources and Referral Center	9%	13%
Santa Clara	Community Child Care Council of Santa Clara	3%	2%
Stanislaus	Stanislaus County Community Services Agency	5%	9%
Stanislaus	Stanislaus County Office of Education	5%	0%
	Average	13.71%	6.71%

Appendix B
Error Rates for Center-Based Programs by Contractor (FY 2014–15)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
Los Angeles	YMCA of Greater Long Beach	77%	\$22,742.38	\$17,547.56	\$12,418.06	\$4,476.28	\$0.00	\$653.22
Santa Clara	Luther Burbank Elementary School District	96%	\$12,583.08	\$12,101.76	\$9,970.20	\$2,131.56	\$0.00	\$0.00
Sacramento	Twin Rivers Unified School District (FPM)	68%	\$18,094.65	\$12,295.65	\$3,213.57	\$8,363.53	\$0.00	\$718.55
Santa Cruz	Cabrillo Community College District	91%	\$16,046.00	\$14,565.94	\$4,205.53	\$10,360.41	\$0.00	\$0.00
Sacramento	Sacramento City Unified School District	100%	\$12,852.65	\$12,852.65	\$12,852.65	\$0.00	\$0.00	\$0.00
Orange	Associated Students California State University Fullerton	69%	\$12,534.97	\$8,609.29	\$6,271.72	\$2,337.57	\$0.00	\$0.00
Madera	Madera County Office of Education	3%	\$16,316.74	\$540.20	\$240.66	\$194.25	\$0.00	\$105.29
Merced	Merced County Community Action Agency	1%	\$12,595.19	\$65.80	\$0.00	\$0.00	\$0.00	\$65.80
Santa Cruz	Live Oak Elementary School District	33%	\$9,033.32	\$2,985.89	\$2,239.85	\$746.04	\$0.00	\$0.00
Los Angeles	Plaza Community Center	0%	\$15,967.33	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Los Angeles	Long Beach Day Nursery, Inc.	0%	\$12,859.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Santa Clara	SJB Child Development Centers	26%	\$32,382.65	\$8,573.12	\$4,312.98	\$3,675.90	\$0.00	\$584.24
Santa Barbara	Community Action Commission of Santa Barbara	4%	\$22,177.74	\$869.81	\$832.00	\$0.00	\$0.00	\$37.81
Los Angeles	Santa Monica Malibu Unified School District	9%	\$10,406.81	\$955.78	\$482.18	\$416.87	\$0.00	\$56.73
San Bernardino	San Bernardino Community College	27%	\$12,591.67	\$3,432.85	\$1,052.03	\$2,380.82	\$0.00	\$0.00
San Bernardino	City of Colton	8%	\$5,221.63	\$410.84	\$410.84	\$0.00	\$0.00	\$0.00
Los Angeles	Culver City Unified School District	100%	\$8,723.59	\$8,723.59	\$8,723.59	\$0.00	\$0.00	\$0.00
Los Angeles	Creative World, Inc.	5%	\$5,053.87	\$257.85	\$0.00	\$0.00	\$0.00	\$257.85
Sutter	Yuba City Unified School District	10%	\$19,230.27	\$1,994.05	\$438.25	\$1,506.01	\$0.00	\$49.79
Riverside	Family Service Association	4%	\$18,091.63	\$653.22	\$0.00	\$0.00	\$0.00	\$653.22
San Mateo	South San Francisco Unified School District	41%	\$12,497.83	\$5,097.34	\$1,276.36	\$1,263.81	\$0.00	\$2,557.17
San Mateo	San Mateo County Office of Education	14%	\$17,977.30	\$2,440.98	\$1,031.40	\$1,409.58	\$0.00	\$0.00

Error Rates for Center-Based Programs by Contractor (FY 2014–15)

County	Agency	Error Rate	Cases In Sample		Errors By Category			
			Payment Amount	Error Amount	Eligibility	Need	Family Fee	Attendance
San Mateo	Creative Montessori Learning	61%	\$14,828.09	\$9,015.51	\$5,683.02	\$3,266.10	\$0.00	\$66.39
Sacramento	Los Rios Community College District	19%	\$11,546.56	\$2,207.21	\$0.00	\$2,207.21	\$0.00	\$0.00
Los Angeles	California Children's Academy	2%	\$27,284.17	\$482.18	\$0.00	\$0.00	\$0.00	\$482.18
Solano	Benicia Unified School District	67%	\$8,663.75	\$5,801.62	\$4,029.33	\$1,772.29	\$0.00	\$0.00
Santa Barbara	Isla Vista Youth Projects	38%	\$11,253.44	\$4,307.82	\$1,481.78	\$1,134.54	\$0.00	\$1,691.50
Ventura	Child Development Resources of Ventura County	37%	\$16,641.21	\$6,126.26	\$3,684.42	\$2,256.00	\$0.00	\$185.84
San Diego	Boys & Girls Clubs of Greater San Diego	0%	\$13,495.34	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sacramento	National Human Development Foundation	80%	\$29,133.75	\$23,340.98	\$16,124.55	\$5,953.93	\$0.00	\$1,262.50
Alameda	St. Vincent's Day Home	2%	\$20,043.33	\$340.36	\$0.00	\$0.00	\$0.00	\$340.36
Los Angeles	Los Angeles Community College District	82%	\$17,767.00	\$14,501.53	\$7,278.26	\$6,776.33	\$0.00	\$446.94
TOTALS:	Average Error Rate	36.7%	\$496,637.45	\$181,097.64	\$108,253.23	\$62,629.03	\$0.00	\$10,215.38
ERRORS AS % OF TOTAL PAYMENTS				36.5%	21.8%	12.6%	0.00%	2.1%
ERRORS AS % OF ALL DOLLARS PAID IN ERROR				100.00%	59.78%	34.58%	0.00%	5.64%

Errors by Category of Percentage of Total Reimbursement

